

Human Resource Outsourcing- A strategic approach for MNC's

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Abstract

Outsourcing is an act of obtaining products or services from outside another organization. Human resource outsourcing activities include recruitment and selection, training and development, etc. outsourcing results in reduce the value , to realize enjoy experts, to specialise in core competencies by outsourcing non-core activities. With growing diversity in business organisations, it's become mandatory to outsource the non-core activities and focus more on core functions, because only those organisations succeed which have core competency in conducting and managing their business. A major concern is to manage diversified human resources since, human resources are the foremost valuable resources for each organisation and optimal utilization of this resource helps to satisfy individual, organizational and societal objectives. This concern paved way for growth of agencies which concentrate on providing right people for the proper job, at the proper time and in right number. Such agencies are called as Recruitment Process Outsourcing agencies, with whose help organisations get the proper sort of people to figure in their organisation. HR outsourcing is perceived as an innovative practice and that multinational enterprise (MNC's) will employ this practice more than local organizations. The purpose of this paper is to communicate Human Resource Management needs to industries across the globe so that the organisations which are not aware get awareness about latest trends in recruitment outsourcing and avail benefit with its services. This paper will enable us to get answers to questions like, what it is, how it functions, is it useful, how MNC's are currently using it, what is the future scope of Recruitment agencies, how it is linked to both individual and organizational goals, the motives that are encouraging organizations to go for outsourcing HR.

Introduction

The productive capacity of all business depends on three factors: the capital resource, the physical resource and therefore the human resource” -(Peter.F.Ducker)

This statement holds tons of significance due to the very fact that of all the three resources, only the human resources possess the productive capacity that the upper limits are not defined. So so as to utilize truth worth of the workers to its fullest, one got to outsource the non-core activities of the organization.

Outsourcing are often defined because the situation where an external vendor or service provider provides, on a recurring basis, services that might normally be performed in-house by the organization. In other words it can said that, outsourcing may be a process where in organizations consider those aspects of their business processes, which provides them a competitive advantage (called as core business) and contract out or distribute the noncore aspects of their business processes. With the increasing global competition, organizations are looking outsourcing as a way of gaining a comparative advantage over other competitors. Outsourcing is assumed to profit a business by allowing a corporation to specialise in its “core competencies” or “core processes.” during this way, a corporation can divert its energy away from peripheral or non-core activities of the business which lies outside of its “true” area of experience , and rather than that concentrater more energy and specialise in what it can does well so as to differentiate itself from other competitors. By outsourcing their noncore

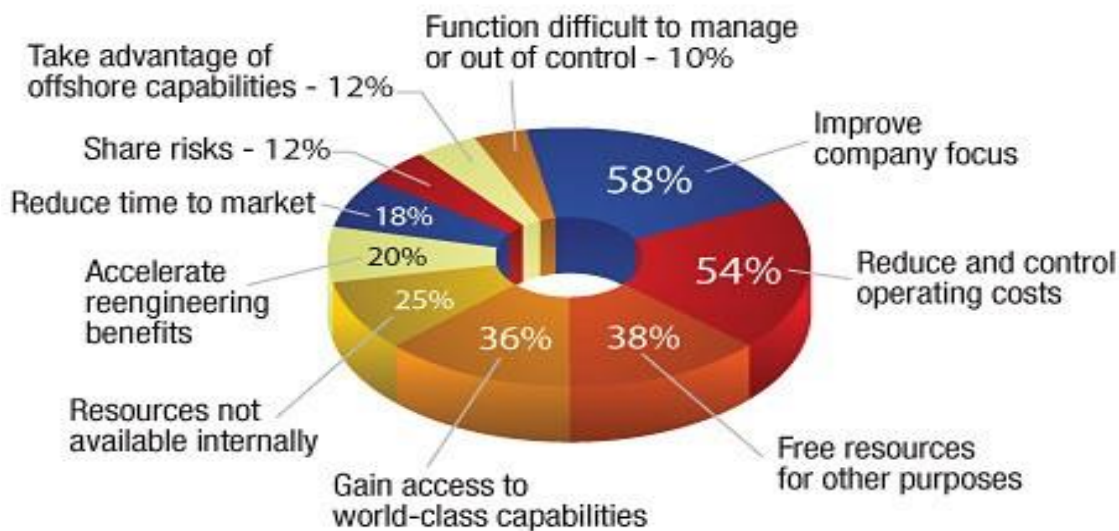
activities, organizations would be ready to reduce their operating costs too. This is possible by reaping the benefits of a supplier’s lower cost structure, which could result from economies of scale or other advantages associated with specialisation available with the outsourcing service provider. One very fine example of this is often the BP-Exult deal where Exult handled the executive elements of compensation, benefits, payroll, organizational development, performance management, employee development, training, recruitment and selection.

Outsourcing has been defined as work done for a company by people other than the company’s full- time workers. In the ultramodern setting, outsourcing turns out to be largely complex and associations use outsourcing merchandisers for a variety of reasons. According to judges, companies generally cite cost reduction as the most pivotal reason for HR outsourcing. As companies were agitating how to cut costs in the face of an profitable downturn, numerous look at outsourcing for some of their HR processes. As the Managing Director of Capita HR Results, Wayne Story, correctly puts it, “ HR outsourcing is on every HR director's list of effects to do. It has to be driven by the business case though – the right mate at the right time, for the right reasons.” Still, some judges argue that by outsourcing major HR conditioning, the number of HR jobs is dwindling, others feel that on the negative by outsourcing these kinds of repetitious and executive jobs, advanced- position HR professionals get the time they need to attack strategic pool challenges. With further and further companies looking to explain workers on their payroll, force outsourcing is sluggishly getting the new buzz in India.

Why Use an HR Outsourcing Service?

The human resource department is an important a part of any business, but when HR personnel don't have the time, space or resources to tackle every aspect of their department, your entire business can suffer. HR outsourcing services allow your business to outsource a variety of tasks from benefit administration and training to recruiting, hiring and payroll administration.

TOP 10 REASONS COMPANIES OUTSOURCE HR



What Hr Functions Can Be Outsourced?

If a company chooses to partially outsource HR, the company shares responsibilities with the vendor, sharing information and control over the functions. If the company decides to completely outsource, the vendor takes on all HR responsibilities. The owner or HR manager in the original company takes on a new role, liaison with the vendor, focusing only on HR in order to manage the vendor-company relationship. Whether partially or completely outsourcing, companies frequently outsource the following HR functions:

- Background Screening
- Payroll Services
- Risk Management
- Temporary Staffing
- Employee Assistance/Counseling
- Health Care Benefits
- Retirement Planning
- Performance Management
- Drug Screening



What Companies Should Do To Have Successful HR Outsourcing?

Drawbacks can be compensated if an organization takes necessary precautions of paying more attention to process redesign and details, and at an equivalent time keeps strategic parts of HR like Human Resource Planning in-house, as it revolves around critical activities and core capabilities and thus provides sustainable lead within the end of the day . This is the reason why HR activities like payroll processing is generally outsourced since it provides less competitive advantage and is a non-core activity for any organization. Thus there is need to create a balance between external service providers and internal operators Organizations

need to outsource thier HR activities as per their size. Small and mid sized organizations should outsource HR activities like payroll because they'll lack economies of scale to perform that function efficiently. Large companies should outsource HR activities like ben-efit processing because then broader range of advantages are offered which reduce the econo-mies of scale of handling the activity in-house.

In case of multi-supplier situation, good governance, change management, and effective dispute resolution structure need to be in place. It should be ensured by the organi-zations that each one the parties should work together nicely. However long-term contracts can be avoided as things are changing rapidly.

Since outsourcers are the third party, communication travels 3 ways instead of two ways involving organization, vendor and employees, giving room for mistakes.

Management model for human- resource outsourcing

Empty Cell	Francheschini et al. (2003)	Mclvor (2000)	Blumberg (1998)
The main features	Based on the customer's point of view	Formation of effective outsourcing decisions	Based on the end-user point of view of the service
Main focuses	Outsourcing; implementation; process management	Costs and operational efficiency	Determination of the main business activities and methods to change them

Empty Cell	Francheschini et al. (2003)	Mclvor (2000)	Blumberg (1998)
Application area of the model	Universal	Universal/ production	Services

The model consists of three stages planning and analysis, decision- timber, and management. In the planning and analysis phase, it's necessary to consider all the benefits of this exertion and what the organisation expects to achieve. Reasons for HRO can continuously vary because of a changing internal and external terrain. Decision- making involves the perpetration of certain way that can help to find the optimal result.

Grounded on the exploration of De Boer etal. (2006), in the decision- making stage, general decision- making way are espoused that have been discerned in the analysis of outsourcing models. These should be the same anyhow of the type of organisation or its conditioning. It's important to assay the company's conditioning with regard to human coffers. Still, when there's made outsourcing decision into service enterprises, it's recommended that the opinion of experimenters is reckoned on, similar as Arias-Aranda, 2011, Espino-Rodriguez and Padron-Robaina, 2005, Sani etal., 2013, and Rahim and Baldry (2010), who emphasise that companies should use outsourcing for non-core conditioning.

In the third stage, it's important to cover human- resource outsourcing. Depending on the factors that have led to this type of outsourcing, evaluation criteria and management can vary and change in the organisation, depending on factors similar as time, cost, effectiveness and inflexibility. Organisations need to examine whether they've achieved an anticipated benefit, else earlier stages should be reviewed and new opinions made.

Literature Review:

Outsourcing in general can be defined as the purchase from external merchandisers of a value creating exertion that either was preliminarily done or could have been done in- house (Gilley & Rasheed, 2000). Accordingly, the outsourcing of HR conditioning is the practice of turning overall or part of an association's HR function to external providers (Adler, 2003; Pelham, 2002). HR outsourcing has grown in fashion ability since the early 1990s in Western Europe and in the US, where up to 90 percent of the association outsource some HR functions (Cook, 1999; Cooke etal., 2005). Still, in other countries similar as Greece, the use of HR outsourcing lags well behind this penetration rate (Galanaki & Papalexandris, 2005). Also, empirical study on HR outsourcing in developing countries similar as Malaysia (which inter alia is characterised by the presence of numerous MNE's) is also non existent (Hewitt Association, 2006), revealing an unusual lacuna in the literature.

Numerous MNC's directors realize that the use of outside providers is more effective and less expensive than hiring full time staff to handle the HR functions in house (Galanaki & Papa lexandris, 2007). In fact, demands for increased productivity, profitability, and growth have encouraged associations to assay their internal HR processes, performing in a move towards strategic outsourcing conditioning (Cooke, etal., 2005). Also, HR outsourcing enables associations to benefit from the rising relative advantage of technical service

providers who have moxie in the areas concerned (Smith et al., 2006; Cooke et al., 2005). Piecemeal from that, HR outsourcing allows associations and external merchandisers to unite their exemplary and strategic places in designing and enforcing programs which to enhance organizational performance (Greer et al., 1999). In short, the main reasons for outsourcing HR appear to be fairly harmonious. Typical reasons include seeking specialist services and moxie, enhancing the quality of the services, cost reduction and enabling HR specialists to take on a more strategic part.

Studies by Mahoney and Brewster (2002); and Eleanna & Papalexandris (2005) reported that the HR services most generally outsourced fall into one of the following orders reclamation and selection, training and development, pay and benefits, combinations and outplacement, performance appraisal systems, HR planning, and organizational climate and culture.

Cicek and Ozer (2011) identify that an organization has two types of activities i.e. core and noncore. Core activities include business strategies, Human Resource policies, and responsibilities related to the line management whereas noncore involves specific activities, routine work, and Human Resource advice. The decision of an organization to outsource or not is based on these activities. The performance of an organization is also affected by outsourcing activities. In this process, organizational culture plays a prominent role in shaping the attitude of employees towards the outsourcing activities of the organizations.

Gandotra (2011) found that Human Resource outsourcing is a strategic tool that can be used to acquire high value in an organization. Before using Human Resource outsourcing an organization should consider all the factors which will be affected by it such as stakeholders. Human Resource outsourcing is a cost-effective method which leads to providing support to technology and knowledge in transforming human resource management business.

Kodwani (2007) identifies that the decision of outsourcing brings various problems such as employees resistant to change, employers fear of losing control, giving confidential information to the vendors, legal issue, loss of direct touch with the employees, etc. As outsourcing is an evolving concept so, no organization can ignore it. Only the organizations can do is of taking care of various factors while going for outsourcing such as organization should outsource according to its size, more attention on design and details of the process, should not involve itself in a very long-term contracts due to rapid change in technologies and most importantly an organization should remain in touch with its employees.

Lalitha and Bhavani (2016) found that outsourcing is of two types: Transaction and administration outsourcing and consultancy outsourcing services. Mostly outsourcing is done by those businesses whose employee strength is between 24 to 1499. Human resource, professional employer, administrative services are three main organizations which provide outsourcing facilities. In India, outsourcing is done either on a project basis (single contract deals) or large scale multi-year arrangements.

Savino (2016) studies that the effectiveness of outsourcing depends upon the ability of the providers i.e. how quickly they adopt the changes and react towards these changes. If providers are efficient then only the organization can be able to focus on its core competencies and be able to make more strategic decision. It is the responsibility of the provider to meet the needs of the organization as there are many cases that there is a huge

difference between requirement and delivery which leads to an increase in the ineffectiveness of outsourcing services.

Conclusion:

The study findings have a transparent implication to the Multinationals in India. As much as outsourcing HR functions does give time to the employees to concentrate on the core processes, there is got to keep tabs on the service providers to make sure that they provide the simplest services possible. This could not be taken as a symbol to micromanage the service providers but as a reminder that the outsourced functions may not be performed in house but do have an impact in overall firm performance, hence still important. Human Resource outsourcing helps an organization to concentrate more on its core competencies by outsourcing non-core competencies or day to day functions such as payrolls, recruitment, and selection, etc.

HRO remains a live issue for policy makers in Multinationals in India. If top level management does not show support for the process, then the process is set to meet recurring obstacles in its due course. Therefore Policy makers got to sell the thought to management and ensure they have their full support to go ahead. When top level management is on board it's then easy to link the outsourcing process with the overall strategic goals, thus giving it an even greater meaning.

The policy makers need to also fully understand the relationship and interdependencies between business processes before making a decision about outsourcing. This helps them know which functions are vital and must be performed in-house, and which of them the organizations can comfortably outsource.

HRO decision should be made very consciously especially when the corporate must onboard a strategic HR team. This move, which many multinational companies are shifting towards, is a conscious decision to outsource the HR admin tasks and have only the strategic team in-house to drive the HR department towards the general organization goal.

Companies that outsource some or most of their nonessential functions have been able to concentrate most of their valuable resources towards achieving competitive advantage.

LIMITATION OF STUDY

Research has been done by going through previous researches being done. This research shows only the theoretical concept of HR analytics and no practical understanding has been done to understand the Human Resource Outsourcing.

ABBREVIATIONS:

HR- Human Resource/s

HUMAN RESOURCE outsourcing- Human Resource outsourcing

MNC's- Multi National Companies

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